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TAGS: ECON EFIN PGOV PREL PTER LE

SUBJECT: LEBANON: SCENESETTER FOR MINISTER OF ECONOMY AND  
TRADE HADDAD'S FEBRUARY 25-28 VISIT TO WASHINGTON

Classified By: Jeffrey D. Feltman, Ambassador. Reason: 1.4 (d)

SUMMARY

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¶11. (C) One month after Lebanon held a successful Paris III donor conference, Minister of Economy and Trade (MOET) Sami Haddad heads to Washington from February 25-28. Haddad is a pro-reform, nationalist technocrat seeking change and a broader leadership role, but he has no independent political base to leverage in his efforts to reform Lebanon's economy. He is eager to discuss conditionality for our proposed US assistance, intellectual property rights cooperation, the recently signed trade and investment framework agreement, and Lebanon's World Trade Organization accession. On the key issue of Paris III conditionality, Washington officials may want to explore what Haddad sees as the maximum limits of reform, in terms of political feasibility. End Summary.

AN EAGER REFORMER

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¶12. (C) One month after Lebanon held a successful Paris III donor conference, Minister of Economy and Trade (MOET) Sami Haddad heads to Washington February 25-28. Haddad is an intelligent and motivated technocrat and a supporter of Lebanese independence, but has no political base of his own to use as leverage in his efforts to reform Lebanon's economy. He derives influence from his strong and amiable relations with fellow technocrats and economists Prime Minister Siniora and Finance Minister Jihad Azour. Haddad is probably the most "pro-reform" and private-sector oriented of all the ministers, and even bankers sometimes describe him as too "free-market." As a Protestant -- in Lebanese dialect "Evangelical" -- Christian, this secular economist's future leadership role is constrained by the Lebanese constitutional tradition that the President be a Maronite.

¶13. (C) Haddad appears to be pursuing a larger role in the GOL and closer ties to the USG. At times, he is not always the GOL's chosen operator for a particular mission, or even Embassy Beirut's most effective interlocutor, because he lacks an independent political base. He sought and signed a bilateral Trade and Investment Framework Agreement (TIFA) with us in late 2006, but later discovered that the TIFA would require Cabinet approval rather than merely his signature to go into effect. In early February, Haddad sought to renew and reinvigorate dialogue with the U.S. on

Intellectual Property Rights (IPR) enforcement. Ahead of the Paris III donor conference in late January, Haddad sought a leading role in improving the business climate and strengthening the social safety net; Haddad aims to improve the business climate through ministerial degrees to avoid the parliamentary bottleneck, and supervises a new interministerial committee on social issues. Following the July-August war, Haddad sought a role in managing the GOL's reconstruction efforts, but he has apparently been sidelined, as Siniora gave that role to Ghassan Taher of the Prime Minister's Office, and existing entities such as the Higher Relief Commission, Council for the Displaced, and Council for the South.

¶4. (C) Haddad rose to Director for the Middle East and North Africa in the course of his 23-year career at the International Finance Corporation, a job he entered in 1981 through the Young Professionals Program. He completed all required coursework for a PhD in Development Economics at the University of Wisconsin at Madison, but did not write a dissertation. Haddad was previously a personal assistant to the Governor at the Central Bank of Lebanon, and earned his Masters in Economics at the American University of Beirut while working at Societe Generale Bank.

SEEKING ENGAGEMENT ON  
AID, IPR, TIFA, AND WTO

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¶5. (C) Haddad will be particularly eager to discuss the conditionality for the proposed USD 250 million cash transfer. Haddad will be a receptive audience for genuine benchmarks, as he is more determined than most Lebanese politicians on the need for difficult reforms. Haddad has

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been among Lebanon's strongest proponents of an IMF program, which he views as imposing needed discipline on a GOL that confronts severe domestic political obstacles to reform. He wants to avoid any conditionality that is linked to parliamentary action, since PM Siniora, the government's reform team, and the pro-government parliamentary majority have not been able to pass much of their proposed legislation through parliament over the last two years. Additionally, Lebanon's Parliament is presumed to be on a legislative hiatus until the conclusion of the current political stand-off between the March 14 majority government and the March 8 political opposition which includes Parliament Speaker Nabih Berri. Haddad's fears are shared by many economists and bankers, who worry that politically infeasible conditions will prevent Lebanon from receiving the foreign assistance pledged to support the reform program. They envision a vicious downward spiral in which without our aid there is inadequate reform, worsening cash shortfalls will erode support for reform, and the outcome would be an eventual opposition victory with the prospect of renewed Syrian influence in Lebanon.

¶6. (C) Haddad is appalled at the absence of rule of law on IPR, and sees this as one area he can make his mark.

¶7. (C) Haddad late last year signed the TIFA believing that his signature and Cabinet approval was enough to make the agreement valid, but we have since discovered that the TIFA must be approved by the Parliament (something constitutionally required of all commercial-related treaties); Haddad has proposed "informal" TIFA council meetings until Parliament can pass the agreement. He can be asked about prospects for Parliamentary ratification of the TIFA.

¶8. (C) Prompted by his staff, Haddad will argue that, because of the economic deterioration resulting from the Israeli war, the Israeli blockade, and the current political stalemate, Lebanon needs more time for its WTO accession. His staff has noted that, of the 5,000 requests made to Lebanon regarding

tariffs vis-a-vis WTO accession, more than 4,000 came from  
the United States.

FELTMAN